

Yukon-Waltz
Telephone Company

July 3, 2018

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90; 2019 FCC Form 481

Dear Ms. Dortch:

Yukon-Waltz Telephone Company ("the Company") hereby submits to the Commission a copy of the Company's completed Form 481¹. Certain portions of the Form 481 filing include information that is confidential in nature. Specifically, the section entitled "Rate of Return Carrier Additional Information"² should be accorded confidential treatment. Attached please find a statement of the reasons for withholding the redacted materials from public inspection pursuant to 47 CFR § 0.459.

Thank you for your attention to this matter. Should you or any member of the Commission Staff have any questions or comments, please do not hesitate to contact us at your convenience.

Sincerely,

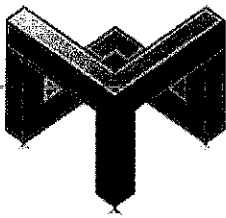
James J Kail
President & CEO

Attachments

¹ This filing is required to comply with 47 CFR §§ 54.313 and 54.422(c).

² The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filled out employs the 3005 or 3000 designation.

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Yukon-Waltz
Telephone Company

CONFIDENTIALITY REQUEST AND STATEMENT OF JUSTIFICATION IN COMPLIANCE WITH 47 C.F.R. §0459(b)

Yukon-Waltz Telephone Company ("Company") is a small, privately held rural local exchange company based in Pennsylvania. The Company requests confidential treatment of certain information being provided to the Commission in its 2019 FCC Form 481. The information is competitively sensitive and its disclosure would have a negative competitive consequence upon the Company were it made publicly available. Such information would not ordinarily be made available to the public and should be afforded confidential treatment under 47 CFR §0.459.

Regulation	Statement of support and compliance with Confidentiality requests
47 CFR §0.459(a)(2)	The Company has e-filed, through ECFS, the redacted version and sent via USPS Express Mail the confidential hard copy version (original and one copy) of its 2019 FCC Form 481.
47 CFR §0.459(b)(1)	The Company requests that the documentation required in the section entitled "Rate of Return Carrier Additional Information ³ , which consists of the Company's financial reports, income statement, balance sheet and cash flow statement, be accorded confidential treatment. The confidential information has been redacted from the public version with black shading.
47 CFR §0.459(b)(2)	The circumstances giving rise to the submission of this confidential Information is set forth in 47 CFR § 54.313 and 47 CFR § 54.422.
47 CFR §0.459(b)(3) and §0.459(b)(4)	The information for which confidentiality is sought is financial in nature, including balance sheet, income statement, and statement of cash flows.
47 CFR §0.459(b)(5)	There is robust competition in the telecommunications market today, including wireless, VoIP providers, and cable television providers to name a few. Financial data such as the amount of cash on hand, amount of debt, and revenue by source are all examples of information that competitors would not receive in the normal course of business.
47 CFR §0.459(b)(6)	The financial information is disclosed only within the Company, and furthermore is only provided (1) members of senior management, or (2) those employees who require this information to perform their jobs.
47 CFR §0.459(b)(7)	The Company has not previously released this information to third parties without the execution of a non-disclosure agreement.
47 CFR §0.459(b)(8)	The Company requests that the information be held by the Commission as confidential indefinitely.

³ The financial reports section of FCC Form 481 is identified at the Universal Service Administrative Company ("USAC") website as "Section 3005" in the downloadable version and as "Section 3000" in the online filing version at the same USAC website. <http://www.usac.org/hc/tools/forms.aspx>. The same identical financial information is required in both. The request for confidentiality applies regardless of whether the form filed out employs the 3005 or 3000 designation.

REDACTED - FOR PUBLIC INSPECTION

FCC Form 481 - Carrier Annual Reporting
Data Collection FormFCC Form 481
OMB Control No. 3054-0086 / OMB Control No. 3050-0019
July 2018

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - WALTZ TEL CO
<020>	Program Year	2019
<030>	Contact Name: Person USAC should contact with questions about this data	Christine Lalor
<035>	Contact Telephone Number: Number of the person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address: Email of the person identified in data line <030>	clalor@lhtc.net
	Form Type	54.313 and 54.422

REDACTED
FOR PUBLIC INSPECTION

(600) Functionality In Emergency Situations
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010>	Study Area Code	170215
<015>	Study Area Name	JUKON - NALYS TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7249932411 ext. 104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@hcc.net
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality In Emergency Situations	170215PA610.pdf

REDACTED
FOR PUBLIC INSPECTION

REDACTED
FOR PUBLIC INSPECTION

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 731

OMB Control No. 3060-0086/OMB Control No. 3060-0089
July 2015

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - WALTZ TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@hbc.net

No

<900> Does the filing entity offer tribal land services? (Y/N)

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(5) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**REDACTED
FOR PUBLIC INSPECTION**

(1000) Voice and Broadband Service Rate Comparability
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - WALTZ TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Jalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

<1000>	Voice services rate comparability certification	Yes	
<1010>	Attach detailed description for voice services rate comparability compliance	170215PA1010.pdf	Name of Attached Document
<1020>	Broadband comparability certification	Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau	
<1030>	Attach detailed description for broadband comparability compliance	170215PA1030.pdf	Name of Attached Document

**REDACTED
FOR PUBLIC INSPECTION**

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 981
OMB Control No. 3060-0986/OMB Control No. 3060-0819
Rev. 2013

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - WILFZ TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

<1100> Certify whether terrestrial backhaul options exist (Y/N)

No

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

Yes

<1140> Alaska Plan rate-of-return certification (yes, no, or not applicable) of compliance with approved performance plan.

REDACTED
FOR PUBLIC INSPECTION

**(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2018

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - WALTZ TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhc.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP www.lhcbroadband.com

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒

<1222> Details on the number of minutes provided as part of the plan, ☒

<1223> Additional charges for toll calls, and rates for each such plan. ☒

**REDACTED
FOR PUBLIC INSPECTION**

(7005) Price Cap Carrier Additional Documentation

Data Collection Form

Including: Rates of Return, Carriers' Offer Prices, and Other Competitive Offers

FCC Form 488

OMB Control No.: 3080-9986; OMB Control No.: 3080-9986

May 2008

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - WALTZ TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245332311 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR 54.313(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2017.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(iii)(A)

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

Name of Attached Document Listing
Required Information

**REDACTED
FOR PUBLIC INSPECTION**

3007 Rate Of Return Carrier Additional Documentation
Data Collection Form

FCC Form 485

OMB Control No. 3068-0986/OMB Control No. 3040-0839
July 2013

<010> Study Area Code 170215

<015> Study Area Name YUKON - WALTZ TEL CO

<020> Program Year 2019

<030> Contact Name - Person USAC should contact regarding this data Christine Lalor

<035> Contact Telephone Number - Number of person identified in data line <030> 7245932411 ext.104

<039> Contact Email Address - Email Address of person identified in data line <030> clalor@lhtc.net

CAF BLS Reporting

(3008A) Please indicate whether new locations were deployed during the prior calendar year. (Yes/No) No

(3008B) Please enter the number of new locations deployed in the prior calendar year associated with each of the following speed tiers.

(3008B1) Number of newly built locations with access to broadband speeds of at least 10/1 Mbps but less than 25/3 Mbps.

(3008B2) Number of newly built locations with access to broadband speeds of 25/3 Mbps or higher.

(3008C) Please provide the percentage of deployment across the entire study area.

REDACTED
FOR PUBLIC INSPECTION

(3009) State of Return carrier Additional Information
Data Collection Form

FCC Form 481

OMB Control No. 3083-0086/OMB Control No. 3083-0081
July 2013

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - WALTZ TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035>	Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009) Progress Report on 5 Year Plan
Carrier certifies to 54.313(f)(1)(III)

Not Applicable - No Attachment Required

(3010A) Certification of Public Interest Obligations (47 CFR § 54.313(f)(1)(I))

(3010B) Please Provide Attachment

Name of Attached Document Listing Required Information

(3012A) Community Anchor Institutions (47 CFR § 54.313(f)(1)(II))

No - No New Community Anchors

(3012B) Please Provide Attachment

Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))

(Yes/No)

☒ ☐

(3014) If yes, does your company file the RUS annual report

(Yes/No)

☐ ☒

Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

☐

(3016) Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows

☐

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, is your company audited?

(Yes/No)

☒ ☐

If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

☒

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☒

(3021) Management letter and/or audit opinion issued by the Independent certified public accountant that performed the company's financial audit.

☒

If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an Independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

☐

(3023) Underlying Information subjected to a review by an independent certified public accountant

☐

(3024) Underlying information subjected to an officer certification.

☐

(3025) Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows

☐

(3026) Attach the worksheet listing required information

Name of Attached Document Listing Required Information

170215PA3026-CNPI.pdf, 170215PA3005-17.pdf

**REDACTED
FOR PUBLIC INSPECTION**

(308) Rate of Return Calculation (Additional Documentation Continued)
Data Collection Form

FOI 00000000

OMB Control No. 3100-006 OMB Control No. 3100-006
July 2013

<01>	Study Area Code	170215
<01>	Study Area Name	YUKON - WALTER TEL CO
<02>	Program Year	2019
<03>	Contact Name - Person USAC should contact regarding this data	Christine Jalor
<03>	Contact Telephone Number - Number of person identified in data line <03>	7245932411 ext. 104
<03>	Contact Email Address - Email Address of person identified in data line <03>	clalor@htc.net

Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends

REDACTED
FOR PUBLIC INSPECTION

4005 Rural Broadband Experiment Additional Documentation
Data Collection Form

FCC Form 451

OMB Control No. 3060-0988/OMB Control No. 3020-0839

July 2018

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - MAIZE TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Lelior
<035>	Contact Telephone Number - Number of person identified in data line <030>	7315932411 ext. 104
<039>	Contact Email Address - Email Address of person identified in data line <030>	clalior@htc.net

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations and provide a list of newly served community anchor institutions.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas.

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year. Name of Attached Document Listing Required Information

**REDACTED
FOR PUBLIC INSPECTION**

<010>	Study Area Code	170215
<015>	Study Area Name	YUKON - NALTE TEL CO
<020>	Program Year	2019
<030>	Contact Name - Person USAC should contact regarding this data	Christine Laler
<035>	Contact Telephone Number - Number of person identified in data line <030>	728922211 ext.104
<039>	Contact Email Address - Email Address of person identified in data line <030>	claler@ntc.net

(5010) Do you participate in the Alaska plan? (Yes/No)

(5011) Please indicate whether any terrestrial backhaul or other satellite backhaul became commercially available in the previous calendar year in areas previously served exclusively by performance-limiting satellite backhaul. (Yes/No)

(5012)	<p>If the filing carrier identified in its approved performance plans that it relies exclusively on satellite backhaul for a certain portion of the population in its service area, indicate whether any terrestrial backhaul or other satellite backhaul became commercially available in the previous calendar year in areas that were previously served exclusively by satellite backhaul.</p>	(Yes/No)
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[illegible]

REDACTED
FOR PUBLIC INSPECTION

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0085/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	170215
<015> Study Area Name	YUKON - WALTZ TEL CO
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035> Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039> Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: YUKON - WALTZ TEL CO	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 07/12/2018
Printed name of Authorized Officer: James Kail	
Title or position of Authorized Officer: President and CEO	
Telephone number of Authorized Officer: 7245932411 ext.	
Study Area Code of Reporting Carrier: 170215	Filing Due Date for this form: 07/16/2018
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**REDACTED
FOR PUBLIC INSPECTION**

Certification - Agent / Carrier Data Collection Form:	FCC Form 981 OMB Control No. 3060-0988/OMB Control No. 3060-0819 July 2018
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<010> Study Area Code	170215
<015> Study Area Name	YUKON - WALTZ TEL CO
<020> Program Year	2019
<030> Contact Name - Person USAC should contact regarding this data	Christine Lalor
<035> Contact Telephone Number - Number of person identified in data line <030>	7245932411 ext.104
<039> Contact Email Address - Email Address of person identified in data line <030>	clalor@lhtc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent Firm: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Name of Authorized Agent Employee: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**REDACTED
FOR PUBLIC INSPECTION**

Attachments



Yukon Waltz Telephone Company (SAC 170215)

Statement Regarding the Ability to Function in Emergency Situations

47 CFR § 54.313(a)(6)

Form 481, Line 610

Yukon Waltz Telephone Company (YWTC) is an incumbent local exchange carrier operating in the state of Pennsylvania, and is an eligible telecommunications carrier (ETC) designated by the Pennsylvania Public Utility Commission (PUC). YWTC is subject to the regulatory authority of the PUC and operates under the relevant rules and laws of the state of Pennsylvania.

YWTC has 6 portable generators capable of providing the required level of backup power, and that can be deployed as necessary to YWTC's switching and remote sites. YWTC's network is capable of rerouting traffic around damaged facilities, although this ability is not absolute and may be limited in certain circumstances. However, YWTC follows all industry standard practices in ensuring its network remains functional during different types of emergency situations.

**REDACTED
FOR PUBLIC INSPECTION**

(800) Operator Companies
Data Collection Form

ICC Form 483

OMB Control No. 3060-0986/0198 Control No. 3060-0819
July 2018

<010> Study Area Code

170215

<015> Study Area Name

YUKON - WALTZ TEL CO

<020> Program Year

2019

<030> Contact Name - Person USAC should contact regarding this data

Christine Lalor

<035> Contact Telephone Number - Number of person identified in data line <030>

7245932411 ext.104

<039> Contact Email Address - Email Address of person identified in data line <030>

clalor@htc.net

<810> Reporting Carrier

Yukon-Waltz Telephone Company

<811> Holding Company

Laurel Highland Total Communications, Inc.

<812> Operating Company

Yukon-Waltz Telephone Company

<813>

Affiliates

Doing Business As Company or Brand Designation

SAC

Yukon-Waltz Telephone Company

170215

Yukon-Waltz Telephone Company

Yukon-Waltz Communications, Inc

REDACTED
FOR PUBLIC INSPECTION



Statement Regarding Certification of Voice Rate Comparability
47 C.F.R. § 54.313(a)(10)
Form 481, Line 1010

Yukon Waltz Telephone Company (YWTC) is a rural, rate of return regulated incumbent local exchange carrier operating in the state of Pennsylvania, and is an eligible telecommunications carrier (ETC) designated by the Pennsylvania Public Commission (PUC). As such, YWTC is subject to the regulatory authority of the PUC and operates under the relevant rules and laws of the state of Pennsylvania.

YWTC hereby certifies that the pricing of its voice services is no more than two standard deviations above the national average urban rate for voice service, \$45.38, as specified in the November 8, 2017, Public Notice DA 17-1093 issued by the Wireline Competition Bureau of the Federal Communications Commission.

YWTC's monthly residential voice service rate, including state fees and the federal subscriber line charge (SLC) is \$27.73.

**REDACTED
FOR PUBLIC INSPECTION**



Statement Regarding Certification of Broadband Rate Comparability
47 C.F.R. § 54.313(a)(10)
Form 481, Line 1030

Yukon Waltz Telephone Company hereby confirms that the pricing of its broadband services is no more than two standard deviations above the national average urban rate for broadband service, \$94.32, as specified in the November 8, 2017, Public Notice DA 17-1093 issued by the Wireline Competition Bureau of the Federal Communications Commission.

YWTC's residential broadband service rates:

Monthly rate for 10/10 MPS unlimited data is \$45.95.

Monthly rate for 25/25 MPS unlimited data is \$55.95.

Monthly rate for exchange 75/75 MPS unlimited data is \$80.95.

REDACTED
FOR PUBLIC INSPECTION

[3005a] Operating Report for Privately-Held Rate of Return Carriers		FCC Form 481	
Balance Sheet - Data Collection Form		OMB Control No. 3050-0986	
Page 1 of 3		July 2013	
<010> Study Area Code		<010>	
<015> Study Area Name		<015>	Yukon-Whitehorse Telephone Company
<020> Program Year		<020>	2010
<080> Contact Name - Person USAC should contact regarding this data		<030>	Christine Elliot
<085> Contact Telephone Number - Number of person identified in data line <030>		<035>	972-255-0104
<090> Contact Telephone Email Address - Email Address of person identified in data line <030>		<039>	Perkins@ywc.ca
<input type="checkbox"/> Files as reviewed single company		<input type="checkbox"/> Filed as audited single company	
<input type="checkbox"/> Filed as reviewed consolidated company		<input type="checkbox"/> Filed as audited consolidated company	
<input type="checkbox"/> Filed as subsidiary of reviewed consolidated company		<input checked="" type="checkbox"/> Filed as subsidiary of audited consolidated company	

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

 Signature
Date 7/16/10

PART A. BALANCE SHEET

ASSETS		BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY		BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents				25. Accounts Payable			
2. Cash-RUS Construction Fund				26. Notes Payable			
3. Affiliates:				27. Advance Billings and Payments			
a. Telecom, Accounts Receivable				28. Customer Deposits			
b. Other Accounts Receivable				29. Current Mat. L/T Debt			
c. Notes Receivable				30. Current Mat. L/T Debt-Rur. Dev.			
4. Non-Affiliates:				31. Current Mat.-Capital Leases			
a. Telecom, Accounts Receivable				32. Income Taxes Accrued			
b. Other Accounts Receivable				33. Other Taxes Accrued			
c. Notes Receivable				34. Other Current Liabilities			
5. Interest and Dividends Receivable				35. Total Current Liabilities (25 thru 34)			
6. Material-Regulated				LONG-TERM DEBT			
7. Material-Nonregulated				36. Funded Debt-RUS Notes			
8. Prepayments				37. Funded Debt-RTB Notes			
9. Other Current Assets				38. Funded Debt-FFB Notes			
10. Total Current Assets (1 Thru 9)				39. Funded Debt-Other			
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			
a. Rural Development				42. Recquired Debt			
b. Nonrural Development				43. Obligations Under Capital Lease			
12. Other Investments				44. Adv. From Affiliated Companies			
a. Rural Development				45. Other Long-Term Debt			
b. Nonrural Development				46. Total Long-Term Debt (36 thru 45)			
13. Nonregulated Investments				OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets				47. Other Long-Term Liabilities			
15. Deferred Charges				48. Other Deferred Credits			
16. Jurisdictional Differences				49. Other Jurisdictional Differences			
17. Total Noncurrent Assets (11 thru 16)				50. Total Other Liabilities and Deferred Credits (47 thru 49)			
PLANT, PROPERTY, AND EQUIPMENT				EQUITY			
18. Telecom, Plant-in-Service				51. Cap. Stock Outstanding & Subscribed			
19. Property Held for Future Use				52. Additional Paid-in-Capital			
20. Plant Under Construction				53. Treasury Stock			
21. Plant Adj., Nonop. Plant & Goodwill				54. Membership and Cap. Certificates			
22. Less Accumulated Depreciation				55. Other Capital			
23. Net Plant (18 thru 21 less 22)				56. Patronage Capital Credits			
				57. Retained Earnings or Margins			
				58. Total Equity (51 thru 57)			
24. TOTAL ASSETS (10+17+23)		2518662	2472186	59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		2518662	2472186

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<01> Study Area Code
<015> Study Area Name
<020> Program Year
<030> Contact Name - Person USAC should contact regarding this data
<035> Contact Telephone Number - Number of person identified in data line <030>
<039> Contact Telephone Email Address - Email Address of person identified in data line <030>

<010> 170215
<015> Yukon-Waltz Telephone Company
<020> 2019
<030> Christine Lalor
<035> 774-593-0104
<039> regulatory@ihtc.net

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		PRIOR YEAR	THIS YEAR
ITEM			
1.	Local Network Services Revenues		
2.	Network Access Services Revenues		
3.	Long Distance Network Services Revenues		
4.	Carrier Billing and Collection Revenues		
5.	Miscellaneous Revenues		
6.	Uncollectible Revenues		
7.	Net Operating Revenues (1 thru 5 less 6)		
8.	Plant Specific Operations Expense		
9.	Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10.	Depreciation Expense		
11.	Amortization Expense		
12.	Customer Operations Expense		
13.	Corporate Operations Expense		
14.	Total Operating Expenses (8 thru 13)		
15.	Operating Income or Margins (7 less 14)		
16.	Other Operating Income and Expenses		
17.	State and Local Taxes		
18.	Federal Income Taxes		
19.	Other Taxes		
20.	Total Operating Taxes (17+18+19)		
21.	Net Operating Income or Margins (15+16-20)		
22.	Interest on Funded Debt		
23.	Interest Expense - Capital Leases		
24.	Other Interest Expense		
25.	Allowance for Funds Used During Construction		
26.	Total Fixed Charges (22+23+24-25)		
27.	Nonoperating Net Income		
28.	Extraordinary Items		
29.	Jurisdictional Differences		
30.	Nonregulated Net Income		
31.	Total Net Income or Margins (21+27+28+29-30-26)		
32.	Total Taxes Based on Income		
33.	Retained Earnings or Margins Beginning-of-Year		
34.	Miscellaneous Credits Year-to-Date		
35.	Dividends Declared (Common)		
36.	Dividends Declared (Preferred)		
37.	Other Debits Year-to-Date		
38.	Transfers to Patronage Capital		
39.	Retained Earnings or Margins end-of-Period [(31+33+34)-(35+36+37+38)]		
40.	Patronage Capital Beginning-of-Year		
41.	Transfers to Patronage Capital		
42.	Patronage Capital Credits Retired		
43.	Patronage Capital End-of-Year (40+41-42)		
44.	Annual Debt Service Payments		
45.	Cash Ratio [(14+20-10-11)/7]		
46.	Operating Accrual Ratio [(14+20+26)/7]		
47.	TIER [(31+26)/26]		
48.	DSCR [(31+26+10+11)/44]		

REDACTED
FOR PUBLIC INSPECTION

<010> Study Area Code 170215
<015> Study Area Name Yukon-Waltz Telephone Company
<020> Program Year 2019
<030> Contact Name - Person USAC should contact regarding this data Christine Lalor
<035> Contact Telephone Number - Number of person identified in data line <030> 724-593-0104
<039> Contact Telephone Email Address - Email Address of person identified in data line <030> regulatory@lhtrc.net

PART C. STATEMENTS OF CASH FLOWS	
CASH FLOWS FROM OPERATING ACTIVITIES	
1. Beginning Cash (cash and equivalents plus RUS Construction Fund)	
2. Net Income	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
3. Add: Depreciation	
4. Add: Amortization	
5. Other (Explain)	Loss of disposal of assets
Changes in Operating Assets and Liabilities	
6. Decrease/(Increase) in Accounts Receivable	
7. Decrease/(Increase) in Materials and Inventory	
8. Decrease/(Increase) in Prepayments and Deferred Charges	
9. Decrease/(Increase) in Other Current Assets	
10. Increase/(Decrease) in Accounts Payable	
11. Increase/(Decrease) in Advance Billings & Payments	
12. Increase/(Decrease) in Other Current Liabilities	
13. Net Cash Provided/(Used) by Operations	
CASH FLOWS FROM FINANCING ACTIVITIES	
14. Decrease/(Increase) in Notes Receivable	
15. Increase/(Decrease) in Notes Payable	
16. Increase/(Decrease) in Customer Deposits	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	
20. Less: Payment of Dividends	
21. Less: Patronage Capital Credits Retired	
22. Other (Explain)	
23. Net Cash Provided/(Used) by Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
24. Net Capital Expenditures (Property, Plant & Equipment)	
25. Other Long-Term Investments	
26. Other Noncurrent Assets & Jurisdictional Differences	
27. Other (Explain)	
28. Net Cash Provided/(Used) by Investing Activities	
29. Net Increase/(Decrease) in Cash	
30. Ending Cash	

	Number of fields with invalid data
3005a BalanceSheet	0
3005b IncomeStatement	0
3005c Cashflow	0

Mandatory fields that are blank				
Worksheet	Input Item	Line Item	Error Status	
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3005a BalanceSheet	Study Area Name	<01>	OK	
3005a BalanceSheet	Program Year	<02>	OK	
3005a BalanceSheet	Contact Name - Person USAC should contact regarding this data	<03>	OK	
3005a BalanceSheet	Contact Telephone Number - Number of person identified in data line <03>	<03>	OK	
3005a BalanceSheet	Contact Telephone Email Address - Email Address of person identified in data line <03>	<03>	OK	
3005c Cashflow	Explanation for cell C20	5	OK	
3005c Cashflow	Explanation for cell C39	22	OK	
3005c Cashflow	Explanation for cell C45	27	OK	
Totals that can not be zero				
Worksheet	Input Item	Line Item	Error Status	
3005a BalanceSheet	Total Assets	24	OK	
3005a BalanceSheet	Total Liabilities and Equity	59	OK	
3005b IncomeStatement	Input items for prior year		OK	
3005b IncomeStatement	Input items for current year		OK	

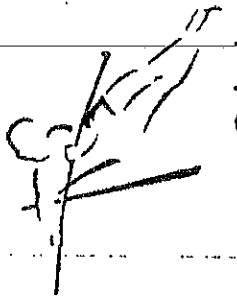
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FOR PUBLIC INSPECTION

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

REDACTED



MERCADANTE & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

Raising the Bar

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Laurel Highland Total Communications, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Laurel Highland Total Communications, Inc. and Subsidiaries (Pennsylvania corporations) which are comprised of the balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Laurel Highland Total Communications, Inc. and Subsidiaries as of December 31, 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mercadante and Company, P.C.

Mercadante & Co., P.C.
Certified Public Accountants

March 20, 2018

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash, General Funds	\$ [REDACTED]	[REDACTED]
Telecommunications Accounts Receivable	[REDACTED]	[REDACTED]
Other Accounts Receivable	[REDACTED]	[REDACTED]
Materials and Supplies Inventory	[REDACTED]	[REDACTED]
Prepaid and Refundable Corporation Taxes	[REDACTED]	[REDACTED]
Prepaid Insurance and Other Prepaid Assets	[REDACTED]	[REDACTED]
<u>Total Current Assets</u>	[REDACTED]	[REDACTED]
<u>Other Assets</u>		
Goodwill-Net	[REDACTED]	[REDACTED]
Other Investments-Net	[REDACTED]	[REDACTED]
<u>Total Other Assets</u>	[REDACTED]	[REDACTED]
<u>Property</u>		
Land	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Plant and Equipment Not in Service	[REDACTED]	[REDACTED]
Plant and Equipment in Service	[REDACTED]	[REDACTED]
<u>Total Property</u>	[REDACTED]	[REDACTED]
Less: Accumulated Depreciation	[REDACTED]	[REDACTED]
<u>Net Property</u>	[REDACTED]	[REDACTED]
<u>Total Assets</u>	\$ [REDACTED]	[REDACTED]
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>Current Liabilities</u>		
Long-Term Debt - Current Portion	\$ [REDACTED]	\$ [REDACTED]
Accounts Payable	[REDACTED]	[REDACTED]
Accrued Taxes, Other than Income	[REDACTED]	[REDACTED]
<u>Total Current Liabilities</u>	[REDACTED]	[REDACTED]
<u>Long-Term Debt - Net Current Portion</u>	[REDACTED]	[REDACTED]
<u>Deferred Income Taxes</u>	[REDACTED]	[REDACTED]
<u>Total Liabilities</u>	[REDACTED]	[REDACTED]
<u>Stockholders' Equity</u>		
Capital Stock, Common No Par Value, 40,000 Shares Authorized, 20,100 Shares Issued, 18,937 and 18,197 Shares Outstanding at December 31, 2017 and 2016, Respectively	[REDACTED]	[REDACTED]
Additional Paid-in Capital	[REDACTED]	0
Treasury Shares	[REDACTED]	[REDACTED]
Retained Earnings	[REDACTED]	[REDACTED]
<u>Total Stockholders' Equity</u>	[REDACTED]	[REDACTED]
<u>Total Liabilities and Stockholders' Equity</u>	\$ [REDACTED]	[REDACTED]

See independent auditor's report and notes to financial statements.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Operating Revenues</u>		
Local Service	\$ [REDACTED]	[REDACTED]
Interstate End User	[REDACTED]	[REDACTED]
Access - Interstate	[REDACTED]	[REDACTED]
Access - Intrastate	[REDACTED]	[REDACTED]
Access - Intrastate (ITORP)	[REDACTED]	[REDACTED]
Long Distance Toll	[REDACTED]	[REDACTED]
Non-Regulated - TV, Internet & Radio	[REDACTED]	[REDACTED]
Non-Regulated Directory - Net	[REDACTED]	[REDACTED]
Other Non-Regulated - Net	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
<u>Total Revenues</u>	[REDACTED]	[REDACTED]
Less: Uncollectibles - Net	([REDACTED])	([REDACTED])
<u>Total Operating Revenues</u>	[REDACTED]	[REDACTED]
<u>Operating Expenses</u>		
Plant Specific	[REDACTED]	[REDACTED]
Plant Non-Specific	[REDACTED]	[REDACTED]
Customer Service	[REDACTED]	[REDACTED]
Corporate Operations	[REDACTED]	[REDACTED]
Other Operating Taxes	[REDACTED]	[REDACTED]
Cost of Services	[REDACTED]	[REDACTED]
Non-Regulated - TV, Internet & Radio	[REDACTED]	[REDACTED]
Non-Regulated - Other	[REDACTED]	[REDACTED]
<u>Total Operating Expenses</u>	[REDACTED]	[REDACTED]
<u>Net Operating Income</u>	[REDACTED]	[REDACTED]
<u>Other Income and (Expenses)</u>		
Interest and Dividend Income	[REDACTED]	[REDACTED]
Interest Expense	([REDACTED])	([REDACTED])
Loss on Sale of Assets	([REDACTED])	([REDACTED])
Voluntary Early Retirement Cost	([REDACTED])	([REDACTED])
Miscellaneous - Net	([REDACTED])	([REDACTED])
<u>Net Other Income and Expenses</u>	[REDACTED]	[REDACTED]
<u>Income Before Provision for Income Taxes</u>	[REDACTED]	[REDACTED]
<u>Provision for Income Taxes</u>		
Current	[REDACTED]	[REDACTED]
Deferred	([REDACTED])	([REDACTED])
<u>Net Income</u>	[REDACTED]	[REDACTED]
Retained Earnings, Beginning of Year	[REDACTED]	[REDACTED]
Dividends Declared	([REDACTED])	([REDACTED])
<u>Retained Earnings, End of Year</u>	[REDACTED]	[REDACTED]

See independent auditors' report and notes to financial statements.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Cash Flows From Operating Activities</u>		
Net Income	\$ [REDACTED]	[REDACTED]
<u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</u>		
Depreciation and Amortization	[REDACTED]	[REDACTED]
Loss on Disposal of Assets	[REDACTED]	[REDACTED]
Deferred Income Taxes	([REDACTED])	([REDACTED])
(Increase) Decrease in Assets:		
Accounts Receivable	([REDACTED])	([REDACTED])
Inventories	([REDACTED])	([REDACTED])
Prepaid and Other Current Assets	([REDACTED])	[REDACTED]
Increase (Decrease) in Liabilities:		
Accounts Payable	([REDACTED])	([REDACTED])
Other Current Liabilities	([REDACTED])	([REDACTED])
<u>Net Cash Provided by Operating Activities</u>	[REDACTED]	[REDACTED]
<u>Cash Flows From Investing Activities</u>		
Property Additions	[REDACTED]	[REDACTED]
Other Investments	[REDACTED]	[REDACTED]
Other Assets - Net	[REDACTED]	[REDACTED]
Proceeds From Sale of Assets	[REDACTED]	[REDACTED]
<u>Net Cash Used by Investing Activities</u>	[REDACTED]	[REDACTED]
<u>Cash Flows From Financing Activities</u>		
Payments on Term Loan and Line of Credit	([REDACTED])	([REDACTED])
Proceeds from Line of Credit Borrowing	[REDACTED]	[REDACTED]
Dividends Paid	([REDACTED])	([REDACTED])
Proceeds from Sale of Treasury Shares	[REDACTED]	[REDACTED]
Purchase of Treasury Shares	([REDACTED])	([REDACTED])
<u>Net Cash Used by Financing Activities</u>	([REDACTED])	([REDACTED])
<u>Net Decrease in Cash</u>	([REDACTED])	([REDACTED])
<u>Cash, Beginning of Year</u>	[REDACTED]	[REDACTED]
<u>Cash, End of Year</u>	[REDACTED]	[REDACTED]
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Payments During Calendar Years Ended		
December 31, 2017 and 2016 for the Corporation		
Income Taxes	\$ [REDACTED]	[REDACTED]
Interest	[REDACTED]	[REDACTED]

See independent auditor's report and notes to financial statements.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies

Business Activity:

In connection with an Asset Purchase Agreement (APA) entered into on October 20, 2016, a newly formed wholly-owned subsidiary, LHTC Media of West Virginia, Inc. (LMWV), was established to operate four radio stations located in the Fairmont/Morgantown/Clarksburg area of West Virginia. Effective October 15, 2016, LMWV began operating the West Virginia radio stations under a Time Broker Agreement (TBA) until the transaction was eventually closed on June 8, 2017. Under the terms of the TBA, LMWV's parent company, Laurel Highland Total Communications, Inc. (LH Total) was required to pay the seller a monthly fee of \$[REDACTED]. Additionally, from the October 15, 2016 effective date, LMWV was responsible for certain operating expenses of the stations and was entitled to all revenues generated by the stations. In accordance with the APA, LH Total was to pay the seller the total purchase price of \$[REDACTED], less one half of the Federal Communications Commission (FCC) filing fee of \$[REDACTED] paid by LH Total at the time the filing was submitted to the FCC for approval. However, during the course of the TBA arrangement, it was learned that the seller could not deliver the assets free and clear of all liens as required by the APA. In order to salvage the deal LH Total paid the additional amounts necessary to clear the liens, totaling \$210,000 over and above the agreed upon \$[REDACTED] purchase price. Additionally, on November 3, 2016, LMWV entered into an APA to purchase an FM translator for one of the West Virginia AM stations at a cost of \$[REDACTED]; this transaction was closed on April 10, 2017.

LHTC Media, Inc. (LHTCM) holds the assets of AM radio station 1480 WCNS, which was acquired in 2014 and airs its programming in the City of Latrobe and the surrounding communities. Additionally, in accordance with an APA entered into on June 16, 2016, effective November 16, 2016, LHTCM purchased the assets of an AM radio station, 910 WAVL (WAVL) and its FM translator. WAVL airs its programming in the Borough of Apollo, Pennsylvania, and the surrounding communities, which is also simulcast on 98.7 of the FM Band covering the Greenburg/Latrobe area. Of the total purchase price of \$[REDACTED] was allocated to the intangible asset, FCC Licenses. On another note, on December 4, 2017, LHTCM closed on the purchase of an FM translator for WCNS at a cost of \$[REDACTED], and is currently awaiting approval from the FCC before the new translator can be constructed on a tower site in Derry Township.

On April 22, 2016, LH Total purchased approximately 68 acres, including the tower site property located in Unity Township, Pennsylvania, that was under lease to WCNS. The total purchase price for this property was \$[REDACTED], including \$[REDACTED] of closing costs.

On November 15, 2016, LH Total acquired the assets of the Caddie Shak Family Fun Center (Caddie Shak) located in Donegal, Pennsylvania, at a total cost of \$[REDACTED] including closing costs. In addition to the building structures and equipment associated with the Caddie Shak's operations, the acquired assets included approximately 132 acres of land. Of the total purchase price, \$[REDACTED] was financed through a mortgage note payable to the seller in monthly installments over a five-year term beginning December 15, 2016, and including interest at the fixed rate of [REDACTED]%. In a related transaction, on December 23, 2016, LH Total entered into an agreement to purchase approximately .75 acres of property at the entrance to the Caddie Shak at a cost of \$[REDACTED] including closing costs; this transaction was closed on July 19, 2017. On yet another note, on January 4, 2017, the Company incorporated a new wholly-owned subsidiary, LHTC Entertainment, Inc. (LHTCE), which holds the operating assets of the Caddie Shak. Furthermore, in May of 2017, the Company acquired a rental property adjacent to the entrance to the Caddie Shak at a total cost of \$[REDACTED], including closing costs and furnishings.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies (Continued)

On December 1, 2017, the Company entered to an Agreement and Plan of Merger (APM) in connection with the acquisition of LTC Communications, Inc. (LTC) and its three wholly-owned subsidiaries. The LTC group of companies operate a telecommunications system in parts of Pike and Wayne Counties, Pennsylvania with headquarters in Rowland. LTC's operations include Lackawaxen Telecommunications Services, Inc., which is an independent telephone utility providing communication services and Lackawaxen Long Distance Company, which provides long distance, Internet and fiber-to-the-premise services to a market of approximately 66 square miles. Under the terms of the APM, described as a "reverse triangular merger," LH Total will acquire all of LTC's outstanding shares for a total purchase price of \$2 million, plus or minus a Working Capital Adjustment determined based on current assets less current liabilities and assumed debt as of the date of the closing.

In addition to LMWV, LHTCM, and LHTCE, Laurel Highland Telephone Company (LHTC), Laurel Highland Long Distance Company (LHLD), Laurel Highland Television Company (LHTV), Yukon-Waltz Telephone Company (YWTC), Yukon-Waltz Communications, Inc. (YWCI), South Canaan Telephone Company (SCTC), South Canaan Long Distance Company (SCLD), and South Canaan Services Company (SCSC), are also wholly-owned subsidiaries of LH Total, which operates as a holding company. Management believes a holding company structure is a well-established form of organization for companies conducting multiple lines of business. The purpose of the holding company structure is to permit the Company to better address the many developments in the communications field, the most significant of which is competition from regulated and non-regulated companies that is becoming more prevalent in a changing regulatory environment.

SCTC, SCSC, and SCLD became operational in November 2013 as part of LH Total's purchase of the assets of several companies referred to as the "old South Canaan Companies."

LHTC, YWTC and SCTC are providers of telecommunications services in the Laurel Highland, Youghiogheny and South Canaan areas of Pennsylvania, respectively. LHTC was incorporated on December 3, 1968 under the name Ligonier Valley Telephone Company. In 1962 the Company acquired the physical assets of the Indian Creek Valley Telephone Company and subsequently changed the name of the Company to Laurel Highland Telephone Company. YWTC, which was acquired by LH Total on December 1, 2008, was incorporated on August 11, 1911.

LHLD and YWCI were established in 1996 and 1997, respectively, as providers of long distance telephone services to customers located in the service territories of LHTC and YWTC. SCLD provides long distance telephone services to customers located in the service territory of SCTC.

LHTV, which was established in 1966 as an affiliate of LHTC, is a provider of cable television and high-speed Internet services in the same territories covered by LHTC, YWTC, and SCTC. SCSC is a provider of the legacy cable television and DSL and fiber Internet services in the same territory covered by SCTC.

LH Total charges rental fees to the various operating subsidiaries for use of the space in buildings held under its name. The inter-company rental charges have been eliminated in the consolidated financial statements.

Financial Statement Presentation:

The consolidated financial statements include the accounts of LH Total and its wholly-owned subsidiaries, LHTC, LHTV, LHLD, YWTC, YWCI, SCTC, SCSC, SCLD, LHTCM, LMWV, and LHTCE. All material intercompany transactions have been eliminated in consolidation. The accounting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America and reflect practices appropriate to the telecommunications industry.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies (Continued)

Preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent revenues and expenses. Actual results could differ from those estimates. The accounting records of the Company's telephone operations are maintained in accordance with the Uniform System of Accounts for Telephone Companies prescribed by the FCC as contained in part 32 of its rules and regulations.

Accounts Receivable - Uncollectible Accounts:

The Company uses the direct write-off method and during 2017, receivable net write-offs amounted to \$[REDACTED] compared to 2016 net write-offs of \$[REDACTED].

Inventories:

Inventories consist of materials and supplies used to maintain and improve the telecommunications plant and equipment in service. The inventory is valued at original cost.

Property and Equipment:

Property and equipment are capitalized at original cost, including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits. The Company provides for depreciation for financial reporting purposes using the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

Certain plant and equipment costs totaling [REDACTED] and \$[REDACTED] as of December 31, 2017 and 2016, respectively, were incurred in connection with the Company's ongoing capital projects. These amounts were classified as "Plant and Equipment Not Placed in Service" since the related projects were still in progress as of the balance sheet dates. Included in the total cost as of December 31, 2017 are amounts totaling \$[REDACTED] incurred in connection with the design and engineering work associated with the Company's new corporate office building to be constructed on the Caddie Shak property. Also included in the 2017 total cost are amounts incurred in connection with CNS's FM translator (referred to previously), totaling \$[REDACTED]. The total cost as of December 31, 2016 was transferred to the appropriate plant and equipment accounts in 2017, while the total cost as of December 31, 2017 will be transferred to the appropriate plant and equipment accounts upon completion of the capital projects in 2018.

Renewals and betterments of units of property are charged to telecommunications plant and equipment in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation together with removal cost less any salvage realized. During 2017 and 2016, the Company retired fully depreciated central office switching and other equipment with an original cost totaling [REDACTED] and \$[REDACTED], respectively. Repairs and renewals of minor items of property are included in plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

Long-Lived Assets:

The Company would provide for impairment losses on long-lived assets if indicators of impairment were present and the undiscounted cash flows estimated to be generated by those assets were less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies (Continued)

Revenue and Expense Recognition:

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territories. Local network service and Internet service revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange networks. The interstate portion of access revenues is based, in part, on formulas administered by the National Exchange Carrier Association which is regulated by the FCC. The traffic sensitive portion of interstate access revenues is billed on an individual company access charge structure as approved by the FCC. The intrastate portion of access revenues is billed on an individual company tariff access charge structure based on expense and plant investment of the Company as approved by the state regulatory authority.

The tariffs developed from these formulas are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at tariffed and contracted rates.

Non-regulated operating revenues, derived from the provision of cable television and Internet services, and radio advertising, are recognized in the period when the services are performed.

In accordance with the accrual method of accounting, the Company recognizes expenses when incurred regardless of the period in which they are paid.

Advertising:

The Company expenses advertising costs as incurred. For the years ended December 31, 2017 and 2016, total advertising expense amounted to \$[REDACTED] and \$[REDACTED], respectively.

Note B - Other Assets

In 2003 LHTC acquired the 40% minority interest in its subsidiary, LHLD for \$[REDACTED], which was subsequently transferred to LH Total as part of a corporate restructuring that took effect in 2006. The excess purchase price of \$[REDACTED] over the book value of the minority interest is presented as goodwill in the balance sheet. In connection with the acquisition of YWTC, in accordance with FASB ASC No. 141, Business Valuations, and No. 142, Goodwill and Other Intangible Assets, \$[REDACTED] of the stock purchase price was allocated to the Acquired Customer Relationships (ACR) intangible asset account as determined by an independent CPA firm. Additionally, the remaining excess purchase price over YWTC's net book value was allocated to goodwill, which amounted to \$[REDACTED] including total acquisition costs of \$[REDACTED].

In accordance with FASB ASC No. 142, prior to 2014, the Company did not amortize goodwill since it was deemed to have an indefinite life and was subject to annual impairment tests. However, in January 2014, the Financial Accounting Standards Board (FASB) released an update to U.S. Generally Accepted Accounting Principles, No. 2014-2, Intangibles-Goodwill and Other Intangible Assets (Topic 350), enabling private companies to amortize goodwill on a straight-line basis over 10 years. Accordingly, effective January 1, 2014, the Company elected to amortize the goodwill associated with the LHLD and YWTC acquisitions referred to previously. Additionally, in connection with the purchase of the assets of the West Virginia radio stations referred to previously, \$[REDACTED] of the purchase price was allocated to goodwill, which is being amortized over ten years. As of December 31, 2017 and 2016, total goodwill reflected in the balance sheet is net of accumulated

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B - Other Assets (Continued)

amortization of \$[REDACTED] and \$[REDACTED], respectively, and amortization was \$[REDACTED] and \$[REDACTED] in 2017 and 2016, respectively.

In connection with the November 2013 acquisition of the assets of the old South Canaan Companies, \$[REDACTED] of the purchase price was allocated to the ACR account. Also, in 2014, the ACR asset was increased by \$[REDACTED] in connection with the purchase of WCNS's assets. These assets are being amortized for financial statement purposes over a 15-year period and are reported in the balance sheet as Other Investments, net of accumulated amortization. Accumulated amortization on the total ACR assets as of December 31, 2017 and 2016 was \$[REDACTED] and \$[REDACTED], respectively, and amortization was \$[REDACTED] in 2017 and 2016. Also, included in Other Investments as of December 31, 2017 and 2016, is \$[REDACTED] and \$[REDACTED], respectively, allocated to LHTCM's and LMWV's FCC licenses as part of the purchase price allocations associated with WCNS, WAVL, and the West Virginia radio stations. This item is considered an indefinite-lived intangible asset, which is not amortized for book purposes, but rather subjected to annual impairment testing.

As part of the assets purchased from the old South Canaan Companies, the Company acquired 15 shares of common stock in LTC Communications, Inc., a privately held company. The value allocated to this stock in accordance with the APA, and included in Other Investments in the balance sheet as of December 31, 2017 and 2016, was \$21,458. Also, as part of the November 2013 transaction, the Company acquired a 5.55% ownership interest in Network Aggregation Services Association, LLC (NASA) which is a limited partnership. The value assigned to this investment, and included in Other Investments at December 31, 2017 and 2016 was \$[REDACTED]. Additionally, included in Other Investments as of December 31, 2016 are deposits of \$[REDACTED] and \$[REDACTED] placed in escrow accounts in connection with the acquisitions of the West Virginia radio stations and the related FM translator, respectively, referred to previously. Furthermore, in 2017, \$[REDACTED] of the purchase price of the Caddie Shak assets was allocated to the Caddie Shak brand name, an intangible asset. In summary, Other Investments consist of the following as of December 31, 2017 and 2016:

	2017	2016
Acquired Customer Relationships - Net	\$ [REDACTED]	\$ [REDACTED]
Common Stock - LTC Communications, Inc.	[REDACTED]	[REDACTED]
Partnership Interest - NASA	[REDACTED]	[REDACTED]
FCC Licenses	[REDACTED]	[REDACTED]
Brand Name - Caddie Shak	[REDACTED]	0
Escrow Account Deposits	0	[REDACTED]
<u>Total</u>	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>

Note C - Property in Service

Property in service is stated at cost. The following summary sets forth the major classifications as of December 31, 2017 and 2016:

	2017	2016
Land	\$ [REDACTED]	[REDACTED]
Vehicles	[REDACTED]	[REDACTED]
Work Equipment	[REDACTED]	[REDACTED]
Buildings	[REDACTED]	[REDACTED]
Furniture	[REDACTED]	[REDACTED]
Office Equipment	[REDACTED]	[REDACTED]
Digital Electronic Switching Equipment	[REDACTED]	[REDACTED]
Circuit Equipment	[REDACTED]	[REDACTED]
Station Connections	[REDACTED]	[REDACTED]

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C - Property in Service (Continued)

	2017	2016
Pole Lines	\$ [REDACTED]	[REDACTED]
Aerial Cable	[REDACTED]	[REDACTED]
Aerial Wire	[REDACTED]	[REDACTED]
Underground Cable	[REDACTED]	[REDACTED]
Buried Cable	[REDACTED]	[REDACTED]
Cable Television Plant and Equipment	[REDACTED]	[REDACTED]
Internet Equipment	[REDACTED]	[REDACTED]
Plant and Equipment not Placed in Service	[REDACTED]	[REDACTED]
Radio Equipment	[REDACTED]	[REDACTED]
Leasehold Improvements	[REDACTED]	[REDACTED]
Entertainment Equipment	[REDACTED]	[REDACTED]
Total	\$ [REDACTED]	[REDACTED]

The following is a summary of depreciation by type of asset for the years ended December 31, 2017 and 2016:

	2017	2016
Telecommunications Plant and Equipment	\$ [REDACTED]	[REDACTED]
Cable Television Plant and Internet Equipment	[REDACTED]	[REDACTED]
LH Total's Buildings and Equipment	[REDACTED]	[REDACTED]
Radio Equipment	[REDACTED]	[REDACTED]
Entertainment Equipment	[REDACTED]	[REDACTED]
Total	\$ [REDACTED]	[REDACTED]

Note D - Long-Term Debt

The Company has established a line of credit with First National Bank (FNB) in the amount of \$ [REDACTED], secured by its assets. Advances on the line of credit accrue interest monthly at either the "Prime" rate or 1.75% above the London Inter Bank Offered Rate (LIBOR), as selected by LH Total. As part of the financing used to acquire the Unity Township property referred to previously, in April of 2016, the Company drew \$ [REDACTED] against the line of credit. This amount was repaid through the third quarter of 2016. In June of 2017, the Company drew \$ [REDACTED] against the line of credit to help finance the acquisition of the West Virginia radio stations referred to previously. This amount was repaid by early November.

On November 5, 2013, in connection with the acquisition of the assets of the old South Canaan Companies, the Company secured a note payable to FNB in the amount of \$ [REDACTED], collateralized by the Company's assets. Beginning in January 2014, principal and interest payments are due on the first day of each month based on a 10-year amortization schedule and a floating interest rate of 2.50% above the 30-day LIBOR with an option to fix the rate via an interest rate swap. Maturities on this note, which matures in December 2020, along with the maturities on the five-year mortgage note incurred in connection with the purchase of the Caddie Shak discussed previously, are as follows:

Years ending December 31,	Amount
2018	\$ [REDACTED]
2019	[REDACTED]
2020	[REDACTED]
2021	[REDACTED]

The Company was in compliance with all restrictive and financial covenants relating to its debt arrangements at December 31, 2017 and 2016.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E - Appropriation of Retained Earnings

Given its ongoing commitment to modernize its plant and equipment, the Company appropriated \$ [REDACTED] of its retained earnings in January 2016. The appropriation was decreased to [REDACTED] in January 2017, which was designated for the budgeted 2017 capital expenditures.

Note F - Employee Pension and Profit Sharing Plans

Effective January 1, 2002, the Company established a 401(k) profit sharing plan to comply with all applicable statutes, including the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code of 1986, as amended by the Uruguay Round Agreements Act, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Uniform Services Employment and Reemployment Rights Act, and all applicable rulings and regulations issued thereunder.

Pension expense applicable to years ended December 31, 2017 and 2016 amounted to \$ [REDACTED] and \$ [REDACTED], respectively.

Note G - Income Taxes

The Company has adopted FASB ASC No. 109, Accounting for Income Taxes (Statement 109). Statement 109 adopts a liability method that requires the recognition of deferred liabilities for the expected future consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. The deferred tax liability results from the use of accelerated methods of depreciation of property and equipment and other timing differences between book and tax expense and revenue items. Statement 109 generally considers all expected future events other than enactments of changes in tax laws and rates.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (TCJA). Pursuant to the TCJA, effective January 1, 2018, various provisions of the Tax Reform Act of 1986 (TRA) were repealed or amended. One of the many modifications to the TRA resulting from the passage of the TCJA was the reduction in the federal income tax rate from 35% to 21%. In accordance with Statement 109, the Company reduced the Deferred Income Taxes liability in the balance sheet as of December 31, 2017 to reflect the impact of this rate reduction, which resulted in an estimated deferred income tax credit of \$ [REDACTED].

For the years ended December 31, 2017 and 2016, the Company's income tax expense consisted of the following:

	2017	2016
<u>Current income tax expense:</u>		
Federal	\$ [REDACTED]	\$ [REDACTED]
State	[REDACTED]	[REDACTED]
	2017	2016
<u>Deferred income tax expense:</u>		
Federal	[REDACTED]	\$ [REDACTED]
State	[REDACTED]	[REDACTED]
<u>Total</u>	\$ [REDACTED]	\$ [REDACTED]

The implementation of 100% bonus depreciation for tax purposes resulted in federal and state taxable losses in 2011. Since the state does not allow for loss carry-backs, the state taxable losses for LHTV and YWTC were applied against state taxable income beginning in 2012. The state taxable loss for YWTC was fully utilized in 2013 while LHTV's taxable loss was fully utilized in 2016. The tax years for which the Company is currently subject to IRS examination include the years 2014 through 2016.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H - Stock Restrictions

The Company has one class of common stock. Restrictions on the stock include the following:

- Shareholders are limited to ownership of not more than 1,000 shares for each shareholder.
- Shareholders shall not sell any shares of stock owned unless the Company has been given first right of refusal.
- Stock transfers require the consent of the Board of Directors.

NOTE I - Treasury Shares Activity

In 2016, the Company acquired 125 shares of its common stock from shareholders at a total cost of \$[REDACTED]. In 2017, the Company acquired another 100 shares of its common stock from a shareholder at a total cost of \$[REDACTED]. In October 2017, the Company designated all treasury shares to be offered for sale to existing eligible shareholders and employees at \$[REDACTED] per share; the value established by a business valuation performed by an independent CPA firm as of April 30, 2017. In response to the offer, [REDACTED] treasury shares were sold for a total selling price of \$[REDACTED]. As of December 31, 2017, the Company allocated \$[REDACTED] of the total sales price to Additional Paid-in Capital to reflect the gain realized in excess of the original cost of the treasury shares. As of December 31, 2017 and 2016, there were [REDACTED] and [REDACTED] treasury shares with a total cost of \$[REDACTED] and \$[REDACTED], respectively, reported in the equity section of the balance sheet.

NOTE J - Concentrations of Credit Risk

The Company grants credit to local telephone service, cable television, and Internet customers, telecommunications intrastate and interstate long distance carriers, and to radio advertisers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company places its cash in several financial institutions, which help limit the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts, some of which exceed federally insured limits. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Note K - Operating Segments Information

The Company organizes its business into four reportable segments: Telecommunications, Cable Television and Internet, Radio, and Other Non-Regulated services. These reportable business segments are strategic business units that offer different services. Each reportable segment is managed and accounted for separately, primarily because of different services and regulatory environments.

The segment accounting policies are the same as those described in the summary of significant accounting policies. A summary of operating revenues and operating expenses by reportable segment for the years ended December 31, 2017 and 2016 follows:

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K - Operating Segments Information (Continued)

<u>2017</u>	<u>Telecommuni- cations</u>	<u>Cable TV & Internet</u>	<u>Radio</u>	<u>Other Non- Regulated</u>
Operating Revenues	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Operating Income (Loss)	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<u>2016</u>				
Operating Revenues	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Operating Income (Loss)	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note L - Life Insurance Proceeds

The Company has key man life insurance policies on certain employees on which it is the sole beneficiary. In 2016, one of the these employees passed away and the Company collected life insurance proceeds in the amount of \$ [REDACTED], which was included in the "Miscellaneous - Net" line item under Other Income (Expenses) in statement of income. Additionally, the life insurance proceeds were exempt for federal and state income tax purposes.

Note M - Voluntary Early Retirements

In 2014, two employees accepted an early retirement plan offering (the "ERP") and retired effective July 1, 2014. During 2015, another employee accepted an ERP offered by the Company and retired effective January 1, 2016. Under the terms of each of the ERPs, in addition to early retirement compensation, the Company agreed to pay certain post-retirement benefits on behalf of the retirees until they became eligible for Medicare upon reaching age 65.

The full cost of each ERP was reported as an expense under Other Income (Expense) in the statement of income in the year in which the retiree accepted the offer. Each year, adjustments are made to the ERP liability to reflect changes in the cost of the medical and dental benefits for the retirees. An additional charge of \$ [REDACTED] and a credit of \$ [REDACTED] was applied to/against the ERP expense for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the ERP liability included in Accounts Payable in the balance sheet was \$ [REDACTED] and \$ [REDACTED], respectively.

Note N - Gross Receipts Tax Issue

In 2010, the Company received assessment notices from the Pennsylvania Department of Revenue (the "DOR") for additional gross receipts taxes ("GRT"). The assessments were related to the 2008 GRT reports filed for LHTC and YWTC. While the DOR denied the Company's initial appeals, the DOR agreed to "stay" the proceedings until the outcome was known concerning a court proceeding involving similar issues. In 2011 and 2012, the Company received additional assessment notices from the DOR for LHTC and YWTC for the years 2009 and 2010. In 2015, 2016, and 2017 the following additional assessment notices were received:

2015

- 2011, 2012, and 2013 for LHTC and YWTC.
- 2013 for SCTC.

2016

- 2014 for YWTC.

2017

- 2014 for LHTC and SCTC.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N - Gross Receipts Tax Issue (Continued)

In 2016, the Company received decisions from the PA Board of Appeals (BOA) concerning all of the LHTC, SCTC and YWTC additional assessments received in 2015. While the 2016 BOA rulings for YWTC were essentially in line with the amount reserved for the years 2011 through 2013, with the exception of LHTC's 2011 assessment, the BOA rulings for LHTC and SCTC were unfavorable. The Company adjusted the GRT reserve liabilities to reflect the impact of the 2016 BOA rulings, and filed appeals with the Board of Finance and Revenue (BF&R), for LHTC, YWTC and SCTC in 2016. While the subsequent BF&R rulings were not favorable, based on management's discussions with the attorney who has been handling the proceedings, management believes that the pending liabilities will eventually be settled for less than the amounts included in the GRT reserve accounts.

Concerning the court proceeding referred to previously, the matter was ruled on by the Pennsylvania Supreme Court in 2015 and the ruling wasn't favorable to the Company's position. However, in July of 2016, the Company filed appeals with the Commonwealth Court of Pennsylvania, and the DOR subsequently granted stays for all of the additional assessments. With respect to the additional assessment received for YWTC in 2016 for the year 2014, the Company filed a petition with the BOA in December of 2016, which was also stayed pending the outcome of the current court proceeding. Concerning the additional assessments received in 2017 for LHTC and SCTC for the year 2014, the BOA granted another stay tied to the current court proceeding.

According to the attorney who is handling the matter, the DOR has agreed to exclude the PA Universal Service Fund (PA USF) revenue from the additional assessment revenue base, and, accordingly, this revenue was removed from the applicable years for each of the companies in the updated reserve calculations as of December 31, 2017.

Concerning the current court case, on December 29, 2017, the Company's attorney filed settlement offers for LHTC and YWTC for the years 2008 through 2010, with the PA Attorney General's ("AG") office, and is currently awaiting a response. Once a final settlement is reached concerning these years, management will take the appropriate action to settle all subsequent years for each of its companies.

As indicated previously, it was deemed prudent to establish a reserve for the additional GRT assessments using the logic deployed by the DOR in calculating the additional assessments. The total GRT reserve included in Accrued Taxes, Other than Income in the current liability section of the balance sheet as of December 31, 2017 and 2016 was [REDACTED] and [REDACTED], respectively. The reduction in the reserve balance as of December 31, 2017 was due to the removal of the PA USF revenue from the additional assessment revenue base as noted previously.

Note O - Lease Agreements

As part of the acquisition of the old South Canaan Companies, the Company assumed a lease agreement that was entered into with Verizon Wireless, effective February 1, 2010. Beyond the initial five-year term, the lease agreement allows for four additional terms of five years each, unless Verizon Wireless provides written notice not to renew not less than 120 days prior to the expiration of the initial term or any renewal term. Under the terms of the lease agreement, which automatically renewed for an additional five-year term effective February 1, 2015, Verizon Wireless is leasing space in SCTC's central office at a current monthly rental of [REDACTED]. The lease agreement also calls for the monthly rental rate to increase by [REDACTED] effective February 1st for each year the lease is in effect. Additionally, in March of 2017, the Company entered into a two-year agreement with Comcast that took effect on June 9, 2017, whereby Comcast is leasing the Company's

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O - Lease Agreements (Continued)

dark fiber facilities at a monthly rental of [REDACTED]. At the end of the initial term, the agreement may be renewed for another two-year term. The following is a schedule of the minimum rentals as of December 31, 2017:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ [REDACTED]
2019	[REDACTED]
2020	[REDACTED]
<u>Total</u>	<u>\$ [REDACTED]</u>

Effective March 24, 2017, LHTCE entered into a lease agreement with C-L Enterprises (C-L), whereby C-L paid LHTCE rental fees totaling \$[REDACTED] through December of 2017 for the right to operate the Caddie Shak facility. While C-L had an option to continue the lease arrangement at an escalating rental fee through February 2020, it opted not to continue the arrangement beyond 2017. The Caddie Shak facility will be operated under LHTCE's direct management starting with the 2018 season.

As part of the acquisition of WCNS, the Company assumed WCNS's tower site lease agreement that was entered into with M. Romaine Zandel Trust (the Trust) by the former owner of WCNS in the 1980s. Under the terms of the lease agreement, which was set to expire in December 2025, entering 2017, WCNS was making monthly payments at the rate of \$[REDACTED]. The lease agreement called for a [REDACTED] increase in the monthly rental rate effective January 1st for each year the lease was in effect. However, as a result of LH Total's purchase of the Unity Township property, including the tower site leased from the Trust, a \$[REDACTED] early termination amount was paid to the Trust as required by the lease agreement, which was subsequently terminated effective April 30, 2017. Effective May 1, 2017, LH Total established a new lease agreement with LHTCM and the rental payments are now accounted for as an inter-company charge, and, accordingly they're eliminated in the consolidated financial statements.

In connection with the purchase of L AVL, on August 5, 2016, LHTCM entered into a five-year lease agreement with Crown Castle for tower site space for its FM translator antenna, at a base monthly rental rate of \$[REDACTED]. The lease agreement automatically extends for five renewal periods of five years each unless either party provides written notice to the other of its election not to renew the term, at least 180 days prior to the end of the current term. Additionally, the agreement calls for a [REDACTED] increase in the monthly rental rate effective August 1st for each year the lease is in effect. Additionally, effective July 1, 2017, LMWV entered into a five-year lease agreement for office space and a tower site at its Fairmont location. The lease agreement calls for monthly rental payments of \$[REDACTED], increased by [REDACTED] effective July 1st of each year of the lease term. The following is a schedule of the minimum rental payments over the remaining term of the leases:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ [REDACTED]
2019	[REDACTED]
2020	[REDACTED]
2021	[REDACTED]
2022	[REDACTED]
<u>Total</u>	<u>\$ [REDACTED]</u>

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note P - Subsequent Events

Management has evaluated subsequent events through March 20, 2018, the date the financial statements were available to be issued, and has determined that the following events warranted disclosure:

- On January 24, 2018, in connection with the treasury share offering discussed in Note I above, the Company sold 300 additional treasury shares to a shareholder at the per share value of \$[REDACTED] for a total selling price of \$[REDACTED].
- On February 27, 2018, the Company entered into the following loan agreements with Citizens Bank:
 - In connection with the acquisition of LTC discussed in Note A above, the Company secured a note payable in the amount of [REDACTED], collateralized by the Company's assets. Beginning in March of 2018, principal and interest payments are due on the 27th day of each month over a seven year term, based on a 10-year amortization schedule and a fixed interest rate of [REDACTED], with a balloon payment due in February of 2025.
 - A new loan was established in the amount of \$[REDACTED] in connection with the refinancing of the remaining balance due on the note payable to FNB discussed in Note D above. The terms of the new loan, collateralized by the Company's assets, calls for principal and interest payments beginning in March of 2018 due on the 27th day of each month over a seven year term, based on a 10-year amortization schedule and a fixed interest rate of [REDACTED], with a balloon payment due in February of 2025.
 - A new line of credit was established to replace the line of credit with FNB (discussed in Note D above) in the amount of [REDACTED] secured by the Company's assets. Advances on the line of credit accrue interest monthly at 0.50% above LIBOR.
- On February 28, 2018, in accordance with the APM discussed in Note A above, the Company closed on the purchase of LTC and its wholly-owned subsidiaries, Lackawaxen Telecom, Inc., Lackawaxen Telecommunication Services, Inc., and Lackawaxen Long Distance Company.

REDACTED

SUPPLEMENTARY INFORMATION

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Plant Specific Expense</u>		
Network Support	\$ [REDACTED]	\$ [REDACTED]
Motor Vehicle	[REDACTED]	[REDACTED]
Other Work Equipment	[REDACTED]	[REDACTED]
Land and Building	[REDACTED]	[REDACTED]
Office Equipment	[REDACTED]	[REDACTED]
General Purpose Computer	[REDACTED]	[REDACTED]
Central Office Equipment	[REDACTED]	[REDACTED]
Digital Central Office	[REDACTED]	[REDACTED]
Circuit Equipment	[REDACTED]	[REDACTED]
Other Terminal Equipment	[REDACTED]	[REDACTED]
Pole Repair	[REDACTED]	[REDACTED]
Aerial Cable Repair	[REDACTED]	[REDACTED]
Underground and Buried Cable Repair	[REDACTED]	[REDACTED]
Other Plant and Equipment Repair	[REDACTED]	[REDACTED]
<u>Total Plant Specific Expense</u>	[REDACTED]	[REDACTED]
<u>Plant Non-Specific Expense</u>		
Transmission Power	[REDACTED]	[REDACTED]
Network Administration	[REDACTED]	[REDACTED]
Central Office Testing	[REDACTED]	[REDACTED]
Plant Operations Administration	[REDACTED]	[REDACTED]
Engineering	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Depreciation and Amortization	[REDACTED]	[REDACTED]
<u>Total Plant Non-Specific Expense</u>	[REDACTED]	[REDACTED]
<u>Customer Service Expense</u>		
Product Promotions and Advertising	\$ [REDACTED]	[REDACTED]
Number Service	[REDACTED]	[REDACTED]
Billing	[REDACTED]	[REDACTED]
Customer Service	[REDACTED]	[REDACTED]
<u>Total Customer Service Expense</u>	[REDACTED]	[REDACTED]
<u>Corporate Operations Expense</u>		
Executive Department	\$ [REDACTED]	[REDACTED]
General Office and Accounting Wages and Benefits	[REDACTED]	[REDACTED]
General Office - Other	[REDACTED]	[REDACTED]
Professional Services	[REDACTED]	[REDACTED]
External Relations and Assessments	[REDACTED]	[REDACTED]
External Regulatory	[REDACTED]	[REDACTED]
Insurance	[REDACTED]	[REDACTED]
Legal	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
<u>Total Corporate Operations Expense</u>	[REDACTED]	[REDACTED]

See independent auditor's report and notes to financial statements.

LAUREL HIGHLAND TOTAL COMMUNICATIONS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Other Operating Taxes</u>		
State Realty Tax	\$ [REDACTED]	\$ [REDACTED]
Pennsylvania Gross Receipts Tax	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
<u>Total Other Operating Taxes</u>	[REDACTED]	[REDACTED]
<u>Cost of Services</u>		
Access Services	[REDACTED]	[REDACTED]
Long Distance Services	[REDACTED]	[REDACTED]
<u>Total Cost of Services</u>	[REDACTED]	[REDACTED]
<u>Non-Regulated Expenses - TV, Internet & Radio</u>		
Cable TV and Internet	[REDACTED]	[REDACTED]
Radio Operations	[REDACTED]	[REDACTED]
<u>Non-Regulated Expenses - Other</u>		
Other	\$ 2,421	\$ 0

REDACTED

See independent auditor's report and notes to financial statements.